

May 14, 2026

PCAOB Office of the Secretary

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Email: comments@pcaobus.org

RE: PCAOB No. 2026-001

Introduction:

I appreciate the opportunity to provide feedback on the proposed PCAOB No. 2026-001, PCAOB Strategic Priorities, dated March 31, 2026. PCAOB No. 2026-001 seeks input from stakeholders regarding priorities as the Board develops a new strategic plan.

I commend the Board for issuing a request for comment on its strategic plan. Inviting an array of viewpoints from its diverse stakeholder population demonstrates the Board's commitment to protecting the interests of investors.

The PCAOB's statutory mission is "to protect the interests of investors and further public interest in the preparation of informative, accurate, and independent audit reports for companies the securities of which are sold to and held by and for, public investors."

It is public knowledge that the Board has various tools to carry out this mission with the most comprehensive and important tool being its inspection program.

By way of background, I joined the auditing profession in 1997, first in a smaller firm (which if certain conditions were met, would be registered in the PCAOB's Non-Affiliate Firm network) and then the bulk of my public accounting experience in a registered Global Network Firm. I am a witness to the audit procedures performed and the corresponding audit workpapers before and after the PCAOB's oversight. Watching my earlier employers' metamorphosis and improved audit quality as a result of the inspection process, inspired me to join the PCAOB as an inspector in 2012 followed by standard setting from 2019-2025.

Therefore, based on my expertise, this letter will mainly focus on my views of the PCAOB's inspection program.

Again, I appreciate the opportunity to comment on the strategic priorities of the Board and appreciate the Board's commitment to transparency and broad stakeholder outreach.

A Holistic and Consistent Approach to Inspections

The PCAOB is statutorily required to “(1) inspect and review selected audit and review engagements of the firm (which may include audit engagements that are the subject of ongoing litigation or other controversy between the firm and 1 or more third parties), performed at various offices and by various associated persons of the firm, as selected by the Board; (2) evaluate the sufficiency of the quality control system of the firm, and the manner of the documentation and communication of that system by the firm; and (3) perform such other testing of the audit, supervisory, and quality control procedures of the firm as are necessary or appropriate in light of the purpose of the inspection and the responsibilities of the Board.” Consideration of all 3 together determines whether the interests of investors are protected.

The current model of inspections (where the individual findings of individual audits sampled identified on inspections drives what is reported to the public) worked since the start of the Board, because of the earlier state of the audit environment. As financial statement frauds and restatements presented (resulting in the creation of the PCAOB) the PCAOB had to triage. In essence, the findings on inspections were the main information source as to the state of the quality control for the firm as a whole. Now that the audit environment has stabilized, and standard setting instituted guardrails to further protect investor interests, the time has come to shift direction and focus on the firms’ system quality control holistically and from viewing each of the 3 requirements above separately, to considering the requirements together and whether the firm is fit to issue audit reports.

Confidential Rating System

To achieve the above, the PCAOB should institute a confidential supervisory rating system (similar to the CAMELS rating used by U.S. banking regulators) to assess whether the firm is fit to issue audit reports. The focus of such rating would be to detect a weakness in the quality control system of the firm that may weaken its audit opinion and put investors at risk.

The components of the rating will be designed based on the requirements of QC 1000. To emphasize the importance of the inspection program, inspection findings may be weighted more than another component.

While QC 1000 should be the bedrock of the rating (in light of number “2” and number “3” above) in deciding the components of the rating, the PCAOB can also look to its remediation program. Over the years the PCAOB has gathered a wealth of data how firms remediated previous deficiencies identified. This can inform what activities firms have in place that can positively or negatively impact a firms’ ability to protect investors interests.

Reporting

Similar to the CAMELS rating, the PCAOB's oversight rating would not be made public. However, some metrics may be very important to investors to know. Examples are:

- Whether the firm is fit to issue an audit opinion and the PCAOB's approach to making this determination
- Whether there have been enforcement actions against the firm
- Whether there have been restatements during the past 3 years
- Whether there have been any independence violations of significance

While not made public, the rating would be very important for firms to know, and a separate non-public report should be issued to the firm explaining in detail the rating and offering guidance as appropriate.

Tribunal

Over the years, the inspection program has been criticized for certain challenges that had arisen. Examples of the criticisms include:

- Lack of differentiation of inspection findings based on the severity of the findings
- Inconsistent identification of deficiencies, with such identification driven based on the inspection team performing the inspections
- The commingling of findings related to auditing and findings related to administrative requirements of the PCAOB
- The lack of understanding by some inspectors of certain current audit environment considerations (While the inspector likely has been recruited from a firm, time may have elapsed since the inspector has actually performed the audit)

I therefore am recommending that the PCAOB institute a centralized tribunal where consistent evaluation of the severity of deficiencies is applied. Those "judges" on the tribunal should be independent from the inspection teams and the Board and possess the expertise necessary for this role. The deficiencies raised to the tribunal should focus on the preparation of informative, accurate, and independent audit reports. Administrative findings should be handled separately.

Here may lie an opportunity for a PCAOB fellowship program where leadership from firms can participate in a rotational program. Those in the fellowship program can act as a sounding board to the members of the tribunal when making the determinations. Those participating in the rotational program would also be independent of the tribunal.

Other Considerations

While not the focus of this letter, I am supportive of convergence of standards with other standard setters. Having diverse standards puts an undue burden on firms to manage different expectations.

Furthermore, I am also supportive of shifting resources from standard setting to offering real world guidance to firms (that go beyond principle-based examples) to assist firms with the application of the standards.

Finally, I am supportive of undertaking a different strategy regarding technology. Specifically, the PCAOB has been “following” firms use of tools and technologies to perform audit procedures. This strategy infers an intention as to how technology can put investors at risk. In contrast, perhaps there can be a renewed focus on being “ahead” of technology, and how the use of technology can improve audit quality.

Again, I appreciate the opportunity to submit comments on the proposed PCAOB No. 2026-001, PCAOB Strategic Priorities.

Sincerely,

Sarah M. Madris